

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 AGR-20 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08

CEA-02 TAR-02 INT-08 DODE-00 PM-07 H-03 L-03 PA-03

PRS-01 USIA-12 EA-11 RSR-01 /205 W

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R 181650Z JUL 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6353

C O N F I D E N T I A L SECTION 01 OF 02 BONN 10219

E.O. 11652: GDS

TAGS: EAGR, TH, GE, BR, BE, AR, AS, DA, ID, EI, PK, UK,

LU, RP, IN, NO, CA, FR, IT, NL, JA, EG, GW

SUBJECT: FOREIGN REACTION TO ACTUAL AND POTENTIAL US
AGRICULTURAL EXPORT CONTROLS

REF: STATE 135419; BONN 8890, 9314, 9383, 9408,
9557, 9690, 9851, 9852, 9853, 9861, 9951

SUMMARY: US EXPORT RESTRICTIONS ON OILSEEDS, OILSEED
PRODUCTS AND RELATED MATERIALS EVOKED STRONG CONCERN
AMONG GERMAN OFFICIALS AND TRADERS AS WE REPORTED IN
REFTELS. OFFICIAL GOVERNMENT REACTION HAS EMPHASIZED
DAMAGE TO GERMANY'S STABILIZATION PROGRAM AND FURTHER
DEPLORED EXPORT CONTROL MEASURES AT A TIME WHEN US
POLICY IS DIRECTED TOWARDS EQUALIZING ITS BALANCE OF
TRADE AND PAYMENTS. PRESS REACTIONS HAVE BEEN
LIMITED, BUT HAVE ALSO EMPHASIZED DAMAGE TO DOMESTIC
PRICE OBJECTIVES IN GERMANY AND THE DAMAGE DONE TO
TRADER CONFIDENCE IN US CONTRACTUAL COMMITMENTS.
INDUSTRY COMPLAINTS HAVE COME MAINLY FROM ASSOCIATIONS
AND INDIVIDUAL PROCESSING FIRMS WITH A MINIMUM OF
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COMPLAINTS FROM INTERNATIONAL TRADERS. ALIENATION OF

CONTRACTS HAS BEEN EMPHASIZED FAR MORE THAN HAS ACTUAL PRODUCT SHORTAGES OR SERIOUS CONSEQUENCES FOR INTERNAL PRODUCTION. THERE HAS BEEN LITTLE OR NO COMMENT REGARDING THE POSSIBILITY OF AN EXTENSION OF CONTROLS TO OTHER COMMODITIES AND THEIR POSSIBLE EFFECTS AND NO LINKAGE HAS BEEN DRAWN PUBLICLY BETWEEN MONETARY DISTURBANCES AFFECTING THE DOLLAR AND FLIGHT INTO COMMODITIES. END SUMMARY

1. AS WE ALREADY REPORTED, FRG TRADE POLICY OFFICIALS ASSERT THAT IMPOSED CONTROLS HAVE UNDERCUT THE UNITED STATES POSITION FOR THE MULTILATERAL TRADE NEGOTIATIONS, PARTICULARLY AS RELATED TO FEED GRAINS. IN SUPPORT THEY CITE PAST STATEMENTS ABOUT UNTAPPED US PRODUCTION AND SUPPLY CAPABILITIES FOR LOW-COST FEED GRAINS AND CONTRAST SAME WITH PRESENT WORLD CONDITIONS. SIMILARLY, SOME OFFICIALS CONTEND THAT EXPORT SALES REGISTRATION FOR SOYBEANS AND COTTONSEED PLAYED A PART IN THE ADOPTION BY THE EC IN LATE JUNE OF SUBSTANTIAL PARTS OF THE FRENCH POSITION RE MTN NEGOTIATIONS. IMPOSED CONTROLS AND TIGHT GRAIN SUPPLIES ARE ALSO BEING USED AS GRIST IN FURTHER SUPPORT OF INTERNATIONAL COMMODITIES AGREEMENTS FOR AGRICULTURAL PRODUCTS AS WELL AS FOR INCREASED DOMESTIC PRODUCTION WITHIN THE EEC. GERMANS ALSO CONTEND THAT EXISTING EXPORT RESTRICTIONS HAVE INCREASED THE DIFFICULTY OF TRYING TO WORK OUT AN ACCEPTABLE EEC AGREEMENT FOR THE 24:6 NEGOTIATIONS.

2. REACTIONS TO THE PRESENT CONTROLS ON AGRICULTURAL TRADE HAVE BEEN MAGNIFIED DUE TO CONFLUENCE OF OTHER DEVELOPMENTS WEIGHING ON US-EUROPEAN RELATIONS SUCH AS CONCERNS ABOUT DEFENSE ISSUES AND INTERNATIONAL MONETARY DISTURBANCES. WE SEE LITTLE LIKELIHOOD OF AN EFFECT ON THE GERMAN POSITION IN THE INTERNATIONAL MONETARY REFORM NEGOTIATIONS. CONTROLS MAY, HOWEVER, HAVE CONTRIBUTED TO THE RECENT WEAKNESS OF THE DOLLAR, ACCORDING TO GERMAN SOURCES.

3. RUMORS TODAY INDICATE THAT THE INTERNATIONAL TRADERS AND OIL MILLERS ARE STILL NEGOTIATING REGARDING CONFIDENTIAL

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DELIVERIES AGAINST OLD CONTRACTS. INITIAL INDICATIONS WERE THAT ORDERS THROUGH AUGUST MIGHT BE FILLED 100 PERCENT WHILE LATER REPORTS INDICATE THE POSSIBILITY THAT ORDERS THROUGH OCTOBER MIGHT BE FILLED TO THE EXTENT OF 75 PERCENT. IF THESE REPORTS ARE CORRECT, IT EVIDENTLY INDICATES CONSIDERABLE SUPPLIES OF ACQUIRED BUT UNSOLD COMMODITIES IN THE HANDS OF INTERNATIONAL TRADERS. IT IS CLEAR THAT THE GERMAN TRADERS HAVE

ALSO BEEN CAUGHT UP IN THE WAVE OF INTERNATIONAL
COMMODITY SPECULATION. EVEN SO, WE ARE TOLD THAT A
CURRENT JOKE IN HAMBURG IS THAT THE GERMANS WILL
BUY MORE SOYBEANS FROM THE JAPANESE AND THE RUSSIANS
THIS YEAR THAN FROM THE UNITED STATES.

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 10219

4. FROM RECENT CONTACTS IN NORTH GERMANY WE HEAR MORE
AND MORE THAT JAPAN IS MOVING HEAVILY INTO COMMODITY
MARKETS. THESE DEVELOPMENTS ARE SUPPORTED BY NEWS
ARTICLES ON JAPANESE STOCKPILING OF SCRAP IRON AND
WOOL. ALSO, THE TRADE ADVISES THAT THE JAPANESE ARE
NOW OFFERING UNITED STATES ALMONDS INTO THE GERMAN
MARKET AT SUBSTANTIALLY INCREASED PRICES, AND
JAPANESE PURCHASES OF SHRIMP ARE CREDITED WITH STRONG
PRICE RISES AND UNAVAILABILITY OF THE PRODUCT FOR
BREMEN IMPORTERS.

5. WE BELIEVE THAT ANY POTENTIAL EXPORT CONTROLS ON
ADDITIONAL US COMMODITIES, AND PARTICULARLY FEED
GRAINS, WOULD PROVOKE AN EVEN STRONGER REACTION

AGAINST US POLICIES THAN HAS BEEN HEARD THUS FAR FROM
OUR RESTRICTIONS IN THE OILSEED SECTOR. ASIDE FROM
THE REAL CONCERNS INVOLVED, THE FEED GRAIN SECTOR IS,
OF COURSE, WHERE WE HAVE PUT OUR MAJOR EMPHASIS IN
PRESSING FOR REVISION OF EEC POLICIES AND WHERE WE
HAVE ATTEMPTED TO GO ALL OUT TO INCREASE US
PRODUCTION THIS CROP YEAR.

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HILLENBRAND

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